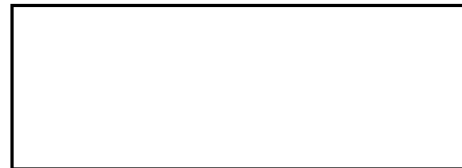


**Secret**

DIRECTORATE OF  
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**State Department review completed**

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INDIA-PAKISTAN: A new and potentially serious problem has arisen between India and Pakistan.

This latest issue stems from the demand by Pakistan that India close its Deputy High Commission in Dacca by noon today local time (0200 EDT). Pakistan has also announced the official closing of its Deputy High Commission in Calcutta. The demand from Islamabad closely followed India's refusal to evict from the Pakistani Deputy High Commission in Calcutta the staff, who recently proclaimed their loyalty to the secessionist regime in East Pakistan.

The Pakistanis have proposed that Pakistan International Airline transport the staff of the Indian Deputy High Commission from Dacca to Karachi where they could board another international carrier for the final leg to India. The Indians, however, would prefer to travel directly by land. Islamabad also requested that India repatriate the Pakistanis serving in Calcutta. Should New Delhi refuse to force the defecting Pakistanis to return to West Pakistan, it is possible that the Indian staff in Dacca will meet with delays and additional difficulties in returning to India.

Some harassment of Indian diplomats in Dacca has already occurred. Their quarters are "surrounded," according to officials in New Delhi. Pakistani authorities in Dacca have warned the Indian deputy high commissioner that any vehicle going to his residence or office will be searched, and an attempt was made on 24 April to search the deputy high commissioner's own automobile. Martial law representatives have warned him further not to attempt to destroy any of his records.

An official in the Indian Ministry of External Affairs has expressed concern to the US Embassy over the possibility that diplomatic immunities granted to Indians in Dacca may be withdrawn following the expiration of the Pakistani deadline. Such action, he warns, would have "most important repercussions" in India.

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CEYLON: The economic consequences of the insurgency probably will be the primary topic when the ten-member Western Aid Consortium meets in Paris tomorrow.

Despite government efforts to keep the port at Colombo operating, shipping has not yet returned to normal. Attempts to transport tea, the island's most important foreign exchange earner, from the interior plantations have been slowed by roadblocks and rail disruptions. While port stockpiles are supplying immediate foreign exchange needs, further delays in tea deliveries will result in at least a temporary loss of exchange earnings. Tourist traffic, another revenue source, has also dropped drastically. Meanwhile, payment for emergency military aid will increase Ceylon's already heavy foreign liabilities. The island's foreign exchange reserves on the eve of the insurgency were only about \$50 million, less than enough to pay for two months' normal imports.

Economic casualties of the insurgency thus far include one of the nation's largest factories, a textile mill, which was only recently recaptured from the insurgents and has not yet reopened. Provincial branch banks raided by insurgents may delay salary payments to the plantation laborers who still form the backbone of Ceylon's economy. Disruption of the transportation and distribution network created serious food shortages and rising prices in the cities, but the situation appears to be improving somewhat.

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SOUTH VIETNAM: [ The Communists are stepping up military action in several sectors of the country. ] The style and pattern of the attacks over the weekend and early today suggest that some units have begun the much-heralded late April phase of the enemy's current spring campaign. More attacks are expected the last few days of this month as other units complete battle preparations, and some action could probably spill over into May. [REDACTED]

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\* \* \* \*

LIBYA: Deputy Prime Minister Jallud, who managed the recent oil negotiations with Western companies, has put them on notice that the provisions of the five-year agreement that call for setting up a certain number of new drilling rigs each year are considered the minimum investment effort required of them. Jallud now states that these investment provisions are "not adequate" and that the companies must also make new oil discoveries "if they wish to live with us and not remain only for a temporary period." In a press conference devoted largely to investment opportunities in the industrial and agricultural development of Libya, he appeared to aim at securing more assistance from the oil companies in these areas as well. During the recent oil negotiations the companies successfully resisted Libyan demands for mandatory reinvestment of profits. [REDACTED]

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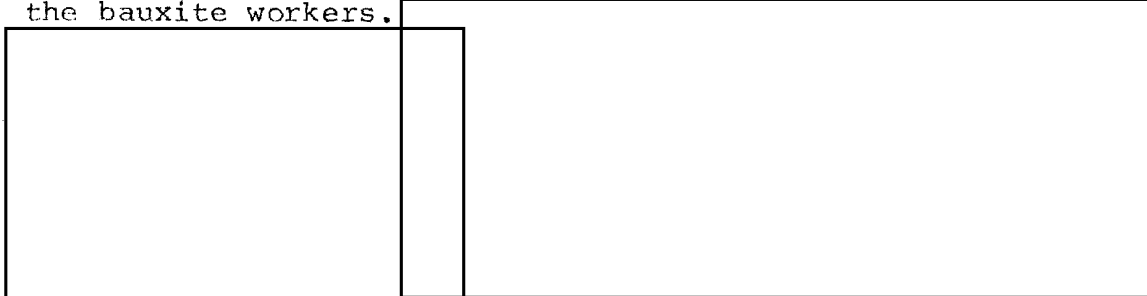
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GUYANA: A wildcat strike began on 20 April among workers of the Demerara Bauxite Company (DEMBA), the Canadian-owned firm that the government is preparing to nationalize. The strike, which reflects the workers' uneasiness about their future in a government-run enterprise as well as their discontent over wage and pension plan issues, has forced DEMBA to close down completely. The Burnham government affects unconcern about the strike thus far but is looking for a means of improving communications with the bauxite workers.



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